West Upping Technology Sales to Iran

Equipment Intended For Civilian Projects Has Military Uses

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LONDON, Nov. 9—State-of-the-art Western technologies are pouring into Iran this year as European, Asian and U.S. companies rush to profit from Tehran's attempt to infuse its Islamic revolution with modern science and to rehabilitate the war-shattered Iranian economy.

Much of the technology being transferred to Iran in the Western export boom is categorized as militarily useful by the U.S. government. But relatively little is being held back. That is because of policy differences on Iran between Washington and its Western allies, and a recent loosening of U.S. export controls related to Iran, according to public records, businessmen, economists and military analysts.

Concerned about Iran's military buildup, the Bush administration has begun a diplomatic campaign to stop the major industrialized nations from selling militarily useful technology to Iran. The campaign is aimed at inhibiting Tehran's ability to develop and produce both conventional armaments and weapons of mass destruction, including the ballistic missiles, nuclear arms and germ weapons that Iran is now seeking, according to U.S. officials. [Details on Page A30.]

The technology reaching Iran includes radar testing devices, navigation and avionics equipment, oscilloscopes, logic analyzers, fiber optic cables, digital switches, high-speed computers, remote sensors and jet engines, according to these sources. While Iran has ordered the equipment for civilian projects, such as new airports and telephone networks, Western analysts and U.S. officials say the technology easily can be converted to military use in time of war.

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The transfers are similar to what occurred in Iraq during the 1980s, when the West sold large quantities of arms and technology to the regime of President Saddam Hussein, nominally in order to assist it in the war it was then waging with Iran. Iraq eventually used its stockpile to mount its invasion of Kuwait in August 1990, causing the West to respond in what became the Persian Gulf War. Since the war ended early last year, the previous Western sales to Iraq have been a source of continuing controversy both in the United States and in Europe, with critics charging that ill-advised arms and technology transfers precipitated Iraq's aggression in Kuwait.

It is not clear whether the same amount of direct military equipment is reaching Iran from the West today. Also, the technology transfers are occurring in a context of peacetime free market economic reform in Iran, in contrast with Iraq's wartime buildup during the 1980s. Iranian leaders describe their reconstruction plan as an effort to improve the country's standard of living and repair the damage done by nine years of war with Iraq.

Nonetheless, the parallels are close enough to prompt some analysts to argue that recent Middle Eastern history is in the process of repeating itself.

In recent months, intelligence analysts and government officials in both the West and the Middle East have warned that Iran is seeking to position itself as the dominant power in the Persian Gulf in the wake of Iraq's defeat in the gulf war, threatening pro-Western countries in the region. Saudi officials have been alarmed by such Iranian moves as the seizure of a small island claimed by the United Arab Emirates, and the purchase of Soviet submarines that could be used to threaten gulf shipping.

U.S. officials and independent military analysts report that Iran is attempting to rebuild its conventional military forces through large-scale acquisitions from former East Bloc countries, including scores of fighter aircraft, bombers, submarines and tanks from the former Soviet Union, tactical missiles from China and medium-range missiles from North Korea. While analysts disagree about how many of these reported defense

deals will lead to actual deliveries to Iran, there is agreement that the military sales are sizable and of significant quality.

Recent U.S. intelligence estimates have warned that Iran could become a major military threat to the Middle East by the end of the decade. "The intelligence [news] is bad," said an administration official who declined to be named. "We have a real problem" with what U.S. analysts consider to be Iran's continuing effort to develop weapons of mass destruction, including nuclear arms and germ weapons that could require significant Western assistance.

"Are we getting a repetition of what we are seeing in Iraq? The answer is yes," the official added.

Western governments so far have been united in their official opposition to direct, large-scale military or nuclear sales to Iran. France and Germany this year have refused Iranian requests for renewed nuclear ties, although Iran is reported by U.S. officials to be seeking nuclear weapons material from non-Western countries. But on policy questions concerning "dual use" technology that can be appropriate for both civilian and military projects, the West has been less stalwart and far from unified.

Overall exports from the West to Iran have skyrocketed during the last three years. German exports have approximately quadrupled since 1989 to a projected level of more than $5 billion this year. Japanese exports to Iran have almost tripled during the same period to a projected figure of more than $2.5 billion this year. Italy's exports have quadrupled to more than $2 billion. U.S. exports have risen from none in 1989 to an expected level of more than $650 million in 1992, according to statistics compiled by the Middle East Economic Digest.

In total, Iran imported $28 billion in goods during its 1991-92 fiscal year, according to figures reported by the Tehran central bank—a 30 percent rise over the previous year and nearly triple the level in the mid-1980s. The great majority of these imports were from the West.

In many cases, the imports will be paid for with government credits and loan guarantees extended by European and Asian governments, according to businessmen, consultants and government officials involved in the trade. Other trade is being financed by increased Iranian oil sales, including a present annual rate of more than $3.5 billion in sales to U.S. oil companies, as well as by European bank lending tied to future Iranian oil exports, according to economists and oil industry sources.

As the departing Bush administration and the incoming Clinton administration wrestle with questions about the booming Western trade with Iran, they face several predicaments.

One is that European and Asian government officials often describe the recent developments in Iran in a different light than does Washington. Some European officials see Iranian President Ali Akbar Hashemi Rafsanjani's decisive moves toward international capitalism as a complex but potentially moderating influence. Iranians sympathetic to Rafsanjani say his free market drive marks the start of a basic shift in the Islamic government's foreign policy away from exporting revolution.

European governments also are reluctant to inhibit booming trade with Iran at a time of economic slump and job losses, an approach that appears to have been mirrored somewhat by the U.S. Commerce Department during the last two years, according to public records.

Also, in urging curtailment of technology transfers to Iran by West European countries, Japan and Russia, the United States is seen as undermined by its own massive military and high-technology transfers to Saudi Arabia and the smaller Persian Gulf states.

While this debate continues, technology transfers to Iran are proceeding at breakneck speed, according to interviews and public records. Three particularly sensitive areas are aviation, communications and computer-related electronics, military analysts said.

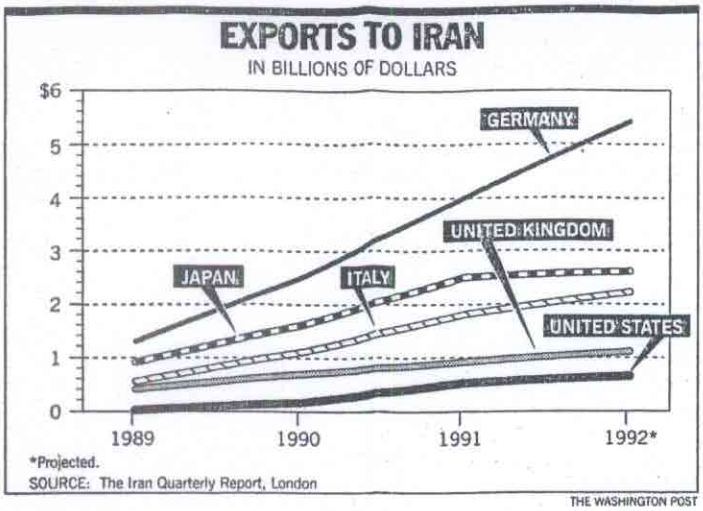
Iran intends by the mid-1990s to build 21 new airports, for a total of 63, and to modernize existing facilities, according to Vahe Petrossian, the Iranian-born editor of Iran Quarterly Report, a London-based economic monitoring service. Toward that end Iran is seeking a wide range of aviation-related electronics, radars, avionics equipment, instrument landing systems, navigational aids, air traffic control systems and test equipment, Petrossian said.

This civilian aviation program is connected to Iran's effort to rehabilitate and modernize its military air force, said Paul Beaver, publisher of the military journal Jane's Defence Weekly. "A lot of it does overlap," Beaver said. "They are interested in any electronic technologies they can get their hands on—radar, both air and ground, and testing equipment." At recent defense exhibitions in Moscow and Greece, Beaver said he met Iranian procurement officials who were looking closely at in-flight refueling technology, early-warning radar systems and avionics equipment. "They were looking at everybody—East and West," Beaver said.

Air defense systems based on commercially available Western technology would make it relatively easy for a potential enemy supplied by the West, such as Saudi Arabia, to defeat the system or to employ countermeasures, Beaver noted. But electronics avionics and test equipment, can be used to upgrade a wide range of military systems, he and other analysts said.

A 1992 criminal case in Newport Beach, Calif., suggests how procured Iranian technology can cross easily between civilian and military users. Betweeen 1989 and 1990, Iranian citizen Reza Amiri acquired oscilloscopes, pulse generators, computer software and other technology from California companies and exported it illegally to Iran by falsifying export licenses, according to court records. Amiri set up shop in Tehran and declared that most of what he was buying was for the Iranian telephone company. But he also placed orders for similar technology on behalf of the Iranian Defense Ministry and falsified license documents to disguise these sales, the records show.

Amiri pleaded guilty to U.S. export violations last summer. He then returned to Iran, at least partly because of the urgings of an Orange



County, Calif., judge, to retrieve an especially sensitive oscilloscope that can be used in missile guidance and nuclear testing. But the Iranian government confiscated Amiri's passport and has refused to let him return to the United States for criminal sentencing, according to Teresa Barrera, Amiri's Los Angeles attorney.

Another example cited by some analysts is Airbus Industries' announced sale of two A-300 passenger jets to Iran. The planes are equipped with sophisticated avionics equipment and supported by a range of electronic testing gear. A spokesman for the company said negotiations for further sales were continuing. The U.S. Commerce Department has licensed General Electric Co. to provide engines for the Airbus planes. Other civilian aircraft deals involving European firms and Boeing Co. are reported near completion but are being held up by U.S. government reluctance to grant licenses, according to lawyers and officials involved.

Complementing Iran's aviation rebuilding program is an effort to upgrade its communications system with Western technology. Announced deals this year include contracts with European firms for digital switches, fiber optic cables, millions of communications lines and related electronics.

While the primary purpose of this program is civilian, it will be connected inevitably with efforts to improve Iranian military "command and

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control" systems, said retired British air force wing commander Ken Petrie, now an analyst at the International Institute for Strategic Studies in London.

Petrie formerly helped to plan similar communication systems for NATO in Germany. "In a time of war, the military will take over" the civilian technology, he said. "There's bound to be overlap between civilian and military."

A prominent Iranian newspaper reported two months ago that French telecommunications giant Alcatel Alsthom SA would soon sell a communications satellite to Iran and launch it on Tehran's behalf. An Alcatel spokeswoman said she could not comment on that report, and it is not clear whether the deal will go through.

Western specialists said the Iranian satellite deal, designated Zhorech, has been under consideration for some time. If it were to go through in the present liberalized atmosphere, Western firms would handle the satellite engineering and launch without direct Iranian participation. But Iran would gain a widened, flexible communications capacity that could be used for many purposes, including military ones, the specialists said.

In event of war, a Western supplier could in theory turn the satellite off, but the Iranians would retain the technology to switch it on again. "It would be like having a toy fight where you turn it off, they turn it back on," one specialist said.

The United States has contributed to the wave of technology transfers to Iran with government licensed exports, Commerce Department documents declassified last summer by the House Foreign Affairs Committee show. Between August 1991 and February 1992, Commerce licensed for civilian projects in Iran such technology as digital computers, radar testing equipment, computer design software, inertial navigation equipment and other technology, the documents show. In many cases, Commerce granted approvals despite objections from the Defense and State departments, according to these records.

Among the large U.S. companies that have acknowledged U.S. government-licensed technology sales to Iran recently are IBM Corp. and Honeywell Inc. IBM reentered the Iranian market in February 1992 after a decade-long absence and now sells personal computers, software and mid-size business computers through five representatives appointed in Iran, a company official said. IBM may bid for deals involving its largest computers, the official added, but he said he did not know whether such contracts or U.S. government licensing agreements were presently in negotiation.

Honeywell won a contract earlier this year to supply remote sensors, electronic controls, high-speed computers and software for a large civilian petrochemical plant in Bandar Abbas. The Honeywell technology involved is manufactured by a Phoenix unit that separately produces space and aviation equipment, including avionics equipment for Boeing, Honeywell officials said. The officials said that while nobody can guarantee that Iran will not use the petrochemical plant technology for military purposes, Honeywell has a corporate policy of forgoing sales where there are reasons to be concerned about military conversion of its technology. In any event, they added, their sale was cleared through the Commerce Department.

Thomas Whalen, a Washington attorney who represents Iran Air in Commerce licensing proceedings, said the U.S. government has recently eased somewhat its attitude toward technology transfers to Iran. "It's a little easier on dual-use items, where there's some commitment [by Iran] that it will not be used for military purposes," Whalen said. "It's not a routine thing. The Commerce Department really looks this over carefully. But is it easier today than it was two years ago? The answer is yes."

"The definition in the last analysis is that they [Commerce] should not help Iran develop war technology," said Hooshang Amirahmadi, an Iranian-born Rutgers University specialist on Iran's economy who also consults for U.S. companies seeking contracts with Tehran. "The problem is, how do you judge? Some of the companies have been able to get away with it and they have tried to define their products in civilian terms."

Staff writer R. Jeffrey Smith contributed to this story from Washington.